



1951

REPORT TO STOCKHOLDERS
BOEING AIRPLANE COMPANY

ANNUAL REPORT

YEAR ENDED DECEMBER 31ST

1951



ON THE COVER — A multi-purpose Boeing C-97 Stratofreighter serves as flying tanker for in-flight refueling of high-speed B-47 Stratojet bomber.



In 1951 Boeing observed its 35th birthday. Progress made during this period is evident in photo of the early-day B-1 flying boat and C-97 Stratofreighter.

MESSAGE FROM THE PRESIDENT



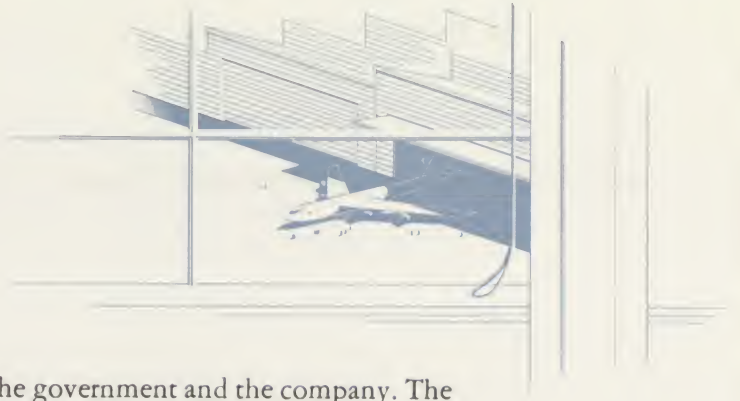
To the Stockholders of Boeing Airplane Company:

The 35th anniversary year of your company witnessed the commencement of deliveries of B-47 Stratojets, increasing deliveries of the C-97 Stratofreighter, preparation for greater production of both models and for the production of the B-52 Stratofortress. A major expansion program in plant and equipment was undertaken. The prototype XB-52 was made ready for ground testing prior to flight, and research and development work was continued at a high level.

Sales attained a peacetime high of \$337,300,566, producing net earnings after taxes of \$7,140,751 (equivalent to \$6.60 per share). This compares with earnings of \$10,826,558 (equivalent to \$10.00 per share) for 1950. Dividends of \$3.00 per share were paid to stockholders for the second consecutive year. The downward trend in net income, which is referred to later in this report, had been anticipated and was called to the attention of stockholders last year. The year 1952, however, should show considerable improvement.

Production was affected by the scarcity of skilled labor and shortages of materials and equipment. This was a natural result of the imposition of a large defense program upon an already expanded civilian economy. The ensuing competition for materials and skilled workers has contributed to the inflationary spiral, resulting in substantially increased costs in the defense effort. Your management has held the opinion for some time that the government should establish an effective priority system to provide defense industries with materials as needed.

As stated in last year's report, substantial additional facilities in the form of plant and equipment are required to enable the company to perform its programs. At Wichita the government is bearing the cost of expansion of its plant in which the B-47 is produced. At Seattle the cost



of new facilities will be shared by the government and the company. The planned expansion represents a substantial investment on the part of the company and the risks involved should be clearly recognized. If the aircraft procurement programs continue as presently scheduled, the contemplated investments are essential and are justified. However, aircraft programs are often subject to drastic changes.

Your attention is called to the enclosed proxy statement which sets forth details of a proposal to be voted on at a special meeting of the stockholders, to be held in conjunction with the annual meeting at the company's offices, April 22, 1952. The proposal is to increase the total number of shares of common stock which may be issued from 1,250,000 to 2,500,000. The directors have stated their present intention, if the stockholders approve the proposed amendment, to declare a stock dividend of one share for each two shares held. The management considers that this amendment should be adopted for the reasons set forth in the proxy statement.

It is expected that 1952 will be a year of further progress for your company. The B-47 is now in production, and with increasing delivery rates for both the C-97 and B-47 the volume of sales should be substantially greater than during 1951. Testing of the XB-52 will continue, with the first flight expected this spring. Your management is confident that the performance of the Boeing company in 1952 will represent a creditable addition to its record over the past 35 years.

WILLIAM M. ALLEN
President

By order of the Board of Directors
March 14, 1952

B-47 Stratojet

The Stratojet, Boeing's six-jet medium bomber, has been the company's most important project during the past year. The design, development, and manufacture of this high performance airplane has required the concentrated attention of a large part of the entire organization. Substantial progress in production has been made, with resulting increased deliveries of completed airplanes.

Production of the Stratojet is centered at Boeing's Wichita Division. It also will be built at Marietta, Georgia, and at Tulsa, Oklahoma, by Lockheed and Douglas, respectively. Agreements have been entered into under which Boeing provides the other companies with information and assistance including engineering and tooling services, as well as parts for the initial quantities of B-47s which they are to produce.

The extensive flight test programs conducted by the Air Force and the company have demonstrated the high performance qualities of the B-47 and the soundness of its design. Secretary for Air Thomas Finletter has said, "The Strategic Air Command is the core of our defense and of our deterrent force . . . The medium fleet is the backbone of the strategic air operation, now composed of B-29s and B-50s



—piston engine planes which will be supplanted by the new Boeing B-47 sweptback wing six-engine bomber now coming in.”

C-97 Stratofreighter

Additional orders have been received for the C-97 multipurpose cargo and tanker airplane and present contracts call for increased production over the next several years.

The Stratofreighter, extremely versatile, has performed with outstanding results as a cargo carrier, a hospital ship, a tanker with boom for refueling other aircraft in flight and as a troop carrier. Its speed, range, adaptability and capacity have been repeatedly demonstrated by the Air Force in actual service. Recent tests have indicated that the C-97 is well suited to the support of troops in forward areas where its capacity and versatility are valuable in supplying the many items required for effective operation.

B-52 Stratofortress

The two prototype heavy bombardment airplanes have been substantially completed and ground tests preparatory to initial flights are progressing satisfactorily. All information regarding the Stratofortress is under security restrictions.

Great effort has gone into the design and development of this airplane, and the company has confidence in the account that it will give of itself as an important addition to the strategic air power of the nation. Pro-

A trio of Boeings, C-97 Stratofreighter (left), B-47 Stratojet and B-50 Superfortress, in production for the Air Force. The new B-52, which has been ordered into production, will join the group.



duction tooling is being prepared, materials and parts are on order, and assembly of first units of the production order will begin within the year.

B-50 Superfortress

A small quantity of Superfortresses remains to be delivered to the Air Force. This series of bombers was authorized more than ten years ago. In external appearance the last airplane will bear a close family resemblance to the B-29. The present B-50, however, is 70% a new airplane as a result of improvements incorporated over the years which have added to its speed, range and striking power. The Superfortress is an excellent example of growth possibilities in the basic design of Boeing airplanes.

Modification Programs

In order to improve the utility of the B-29 and B-50, new developments in refueling, armament, electronics, and other equipment have been incorporated in many of these airplanes. The company has engaged extensively in this modernization program by performing work at its own plants and also by furnishing parts and equipment to be incorporated in the airplanes at other locations. Several programs of this nature have been completed and work is continuing on other modifications.

Flying Boom

The flying boom, originated and produced by Boeing, has proved very satisfactory for in-flight refueling of airplanes at a high rate of fuel flow. Use of mid-air transfer of fuel materially increases the capabilities of military aircraft by lengthening their range. Special kits have been produced for conversion of both B-29s and C-97s to tankers; and, in the case of the latter airplane, this installation is quickly removable for conversion of the aircraft to transport or cargo use. A universal receiver coupling has been developed to adapt boom type refueling to fighter airplanes as well as bombers. The refueling of the swept-wing Stratojet by the C-97 acting as a flying tanker has been highly successful.

RIGHT — A Boeing Stratocruiser approaches New York, completing another transatlantic crossing. These luxury transports carried 593,700 passengers last year; 14,000 transocean flights have been made.

Tucson Modification Center

A modification center for B-47 airplanes has been established at Tucson, Arizona, to be operated by a subcontractor under the direction of Boeing. Similar centers were used during World War II and proved to be beneficial to military production programs. Incorporation of latest revisions and modifications necessary to adapt specific airplanes for operation in the various theaters will be performed at the modification center.

Guided Missiles

As indicated in previous reports, Boeing engineers have been working in the field of ground-to-air guided missiles. Valuable experience has been gained through laboratory studies and from numerous test vehicles which have been fabricated and flown. Many of the developments resulting from these studies are applicable to the modern airplane. Under government contract, the company is expanding activities in the guided missile field but additional information is restricted.

Pan American Photo



NON-AIRCRAFT PROJECTS



Gas Turbine

Acceptance of the Boeing designed gas turbine for military applications has resulted in receipt of orders of substantial size. A portion of Seattle Plant I has been converted to the development and manufacture of the turbine, and existing contracts will absorb production capacity for the remainder of this year. All production is for the government, principally for installation in minesweepers. Additional orders are expected.

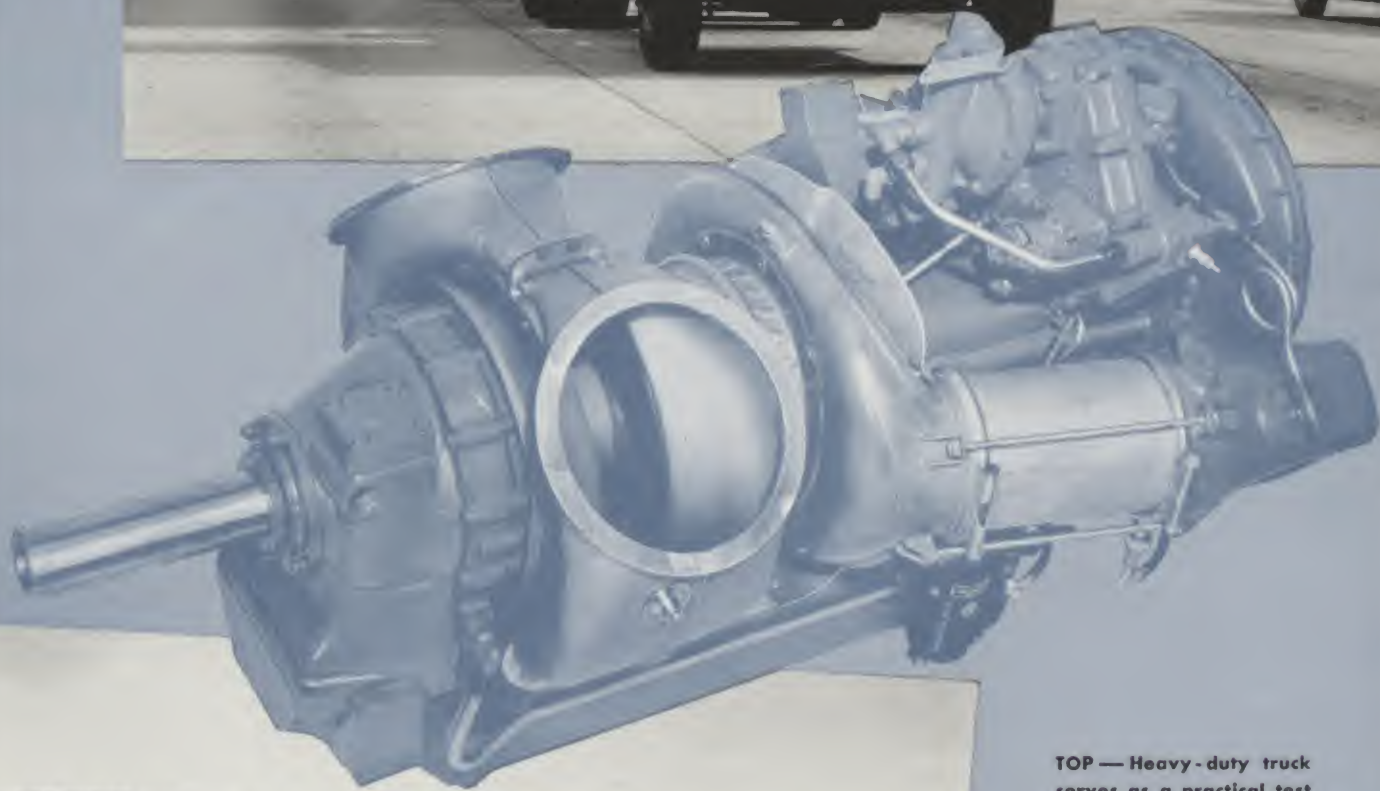
A gas turbine has been furnished to the Navy for installation in a Kaman helicopter. Successful flights have been made and investigations into the use of this power source for rotary-wing aircraft are continuing.

There are many other possible applications for this engine including power for pumps, portable electric generators, small aircraft, and trucks. The company has been gaining experience with the engine installed in a heavy-duty truck which has recorded more than 20,000 miles of service under practical operating conditions. During the coming year, the company intends to continue its development program on this engine.

Other Non-Aircraft Projects

To solve the complex mathematical formulae involved in aircraft and missile research, the company has developed a multi-purpose analog computer. In use, the device saves valuable engineering and flight test time by simulating the complex aerodynamic relationships of flight. Simple yet versatile, the computer can solve many industrial problems which involve dynamic considerations. Boeing also has developed a new type suspension clamp for high tension transmission lines. Limited quantities of both these items are being produced for sale.

The company's gas turbine was put in production and developmental work continued. Substantial orders for this 175-horsepower engine are on hand.



TOP — Heavy-duty truck serves as a practical test bed for Boeing-designed-and-developed turbine.

CENTER — Boeing's Model 502 gas turbine engine.



BOTTOM — Turbine was service tested in Navy personnel boat; is now being produced for installation in U.S. minesweepers.

RESEARCH

The complexity of the modern high-speed aircraft requires far greater research and development effort than was the case a few years ago. Accordingly, during the past year the company increased its research activities. Unquestionably, a continuing program of substantial proportions is essential to the maintenance of Boeing's position as a designer and builder of fine aircraft.

Laboratories are maintained to investigate problems of high speed





flight, to apply the results of research in the design of new products, and to adapt new materials and processes to the manufacture of high performance airplanes. Competent research engineers supported by an adequate budget and working with complex equipment, much of it specially designed, are constantly striving to improve the company's products. One new field of research is the application of nuclear power plants to aircraft. This study is under contract from the Air Force.

Production of the Boeing B-47 bomber is centered at the Wichita Division. It also is being built by Douglas at Tulsa and by Lockheed at Marietta.



More engineers are required to design the modern high performance military airplane and its equipment, more people are needed to procure and control the flow of materials and parts, and specialized machinery must be available to perform complex manufacturing operations. The design and manufacture of today's airplanes, in short, require more employees and more space plus substantial quantities of new equipment.

Physical expansion—more floor space—is urgently needed both at Wichita and at Seattle. A flight test hangar, four warehouses, an electronics building, and ramps, apron space and taxi ways are under construction at Wichita. At Seattle an engineering office building, a material warehouse and preparation building, a flight test hangar, and a jig erection building are expected to be actualities within a year.

The cost to the company of the expansion program has been approximately \$5,200,000 to December 31, 1951. The present forecast is that \$14,000,000 additional will be expended for facilities during the coming year. The company's investment represents approximately one-third of the cost of the expansion at Seattle. The government has undertaken expansion of its plant at Wichita and will provide the warehouse and material preparation building at Seattle, on land to be acquired by the government, as well as most of the new machinery and equipment. The company's investment will be principally at Seattle in the engineering office building, flight test hangar, jig erection building and improvement of the wind tunnel.

To the extent permitted by certificates of necessity, the cost of new facilities will be amortized on an accelerated basis. For tax purposes approximately 70% of the cost of facilities has been allowed for amortization over a five-year period. A certificate of necessity is merely recognition that facilities so acquired are made necessary by the defense



effort and may have less than full utility after the present emergency is past. There is no guarantee that earnings necessary to absorb the cost of this amortization will be available for the entire five-year period. Whether or not there is any long term advantage to the company will depend upon earnings and tax rates after the five-year period.

The increasing cost of company-owned facilities is a matter of concern. Not only are the costs of floor space and of machinery and equipment constantly rising, but the period between commitment and availability is lengthening. At the present time contractors are not permitted to include amortization in excess of normal depreciation in the selling price of articles to the government. The low rate of profits of aircraft companies will be further depressed if this excess amortization must be absorbed by already meager earnings.

Alterations to the Boeing-owned wind tunnel will be completed by mid-summer. It will be the finest privately-owned wind tunnel in the country, capable of testing large models or actual airplane components at speeds in excess of the speed of sound. The availability of this basic test equipment for its sole utilization places the company in an advantageous position in the design and testing of airplanes and components.


TOP — Proposed flight test hangar at Seattle.

RIGHT — Electronics building going up at Wichita.

LEFT — New engineering, office building at Seattle.



SUBCONTRACTING



The company's subcontracting program has steadily expanded both in dollar volume and in percentage of work performed by others. This policy reduces peak manufacturing loads and minimizes the investment of capital in expanded production capacity which might not be required on a continuing basis. Boeing has actively sought to utilize existing industries to their capacity without causing expansion of plants in critical labor areas. This policy is in conformity with the expressed desire of the Department of Defense to broaden the industrial base of procurement and to use small business to the maximum feasible extent.

In the states of Washington and Kansas, as well as throughout adjacent areas, prospective subcontractors have been visited by Boeing representatives, their facilities surveyed and catalogued, and their qualifications to produce aircraft parts analyzed. Those concerns considered competent have been provided the opportunity to quote on items for which their facilities are suited.

During 1951 the subcontracting program continued to expand in line with over-all activity. Several large subcontractors and many small ones were added to the already long list of Boeing suppliers. In addition, efforts were made to assist small businesses suffering from shortages by providing material and placing subcontract work with them to the extent of their capacity and capability to handle the type of work required. This has been especially beneficial in the case of machine shops and sheet metal shops specializing in the fabrication of stainless steel and aluminum.

Although the scope of the subcontracting program has increased since the latter part of 1946, there exist definite limits upon future steps in this direction. The increasingly technical nature of the product and its components, the size of the metal-working tools required, and the necessity for trained, highly skilled operators are serving to place practical limits on further expansion of the subcontract program.

RIGHT — More than 1000 subcontractors and equipment suppliers furnish the Boeing Wichita Division with parts and assemblies for the B-47.

XB-52 STRATOFORTRESS

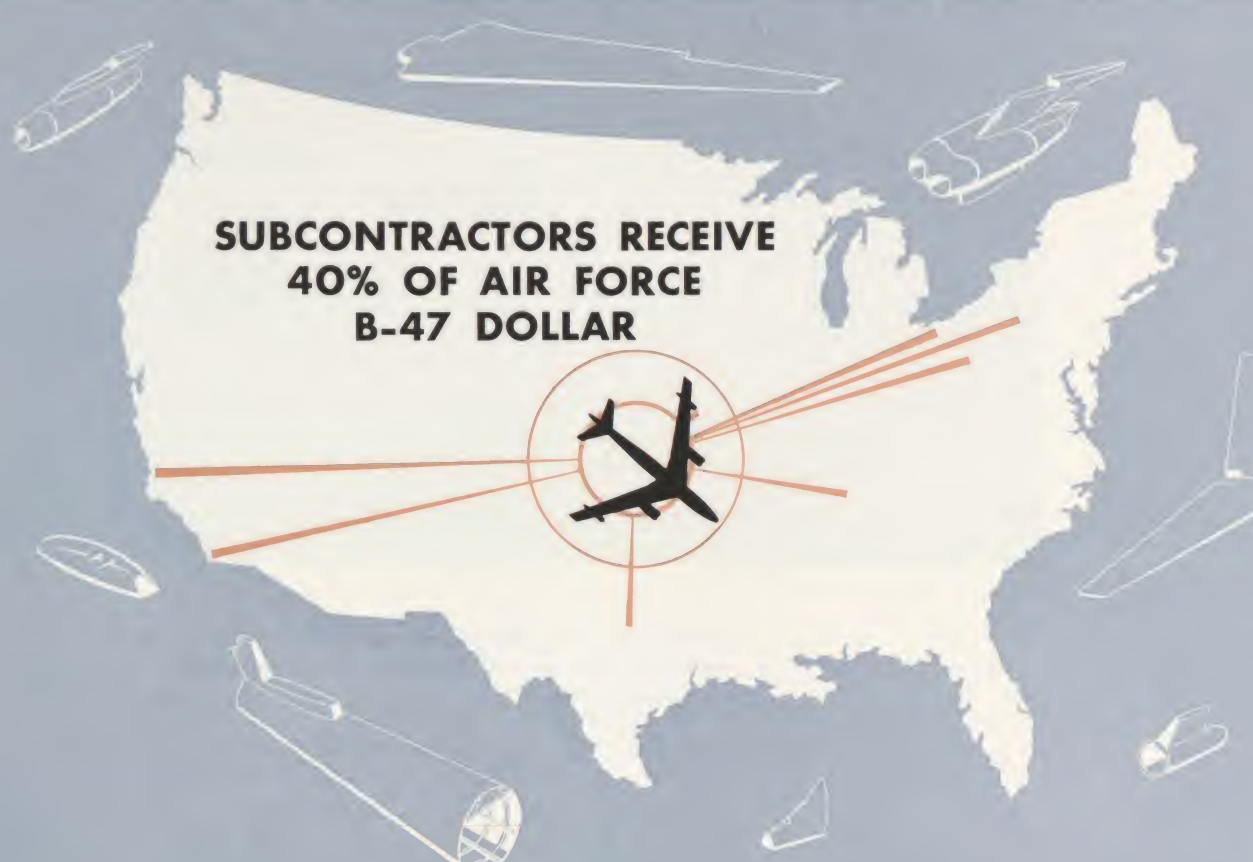




The XB-52 Stratofortress, eight-jet bomber, as shown in artist's conception drawn for Life Magazine by John T. McCoy, Jr., is Boeing's latest contribution to the United States Air Force. Information regarding the plane is classified. The plane was rolled out of the factory late in 1951 and is completing ground tests preparatory to the initial flight.

During 1950 Northwest Airlines, Inc., instituted an action against the company in which damages approximating \$25,000,000 were claimed arising out of the purchase of ten Model 377 Stratocruisers. Boeing subsequently filed a counter-claim against Northwest. Both actions have now been dismissed. The dismissal did not involve any payment by the company. Northwest paid the remaining amount due under the original purchase agreement.

The United States Supreme Court has refused to review the decision of lower federal courts dismissing the company's action against Aeronautical District Lodge No. 751 and International Association of Machinists. This action sought to recover damages suffered as a result of the 1948 strike.



**SUBCONTRACTORS RECEIVE
40% OF AIR FORCE
B-47 DOLLAR**

The company has continued to enjoy improved relations with employees in the Seattle Division. At the Wichita Division, however, an impasse was reached in negotiations with the International Association of Machinists, District Lodge No. 70, representing production and maintenance employees, in connection with four issues: union shop, wages, retroactivity of wage increases, and automatic progression within rate ranges. The members of the union thereupon voted to strike in January, 1952. Subsequently, the President of the United States certified the case to the Wage Stabilization Board as a dispute affecting the defense program and the Board appointed a panel to investigate and make recommendations relative to the disagreement.

The Panel of the Wage Stabilization Board held a hearing in Wichita in January, 1952, and thereafter referred the union security issue back to the Board without recommendation. The remaining issues were returned to the parties for further negotiation. Under the circumstances present in this case, recommendations of neither the Panel nor the Wage Stabilization Board are binding on the parties.

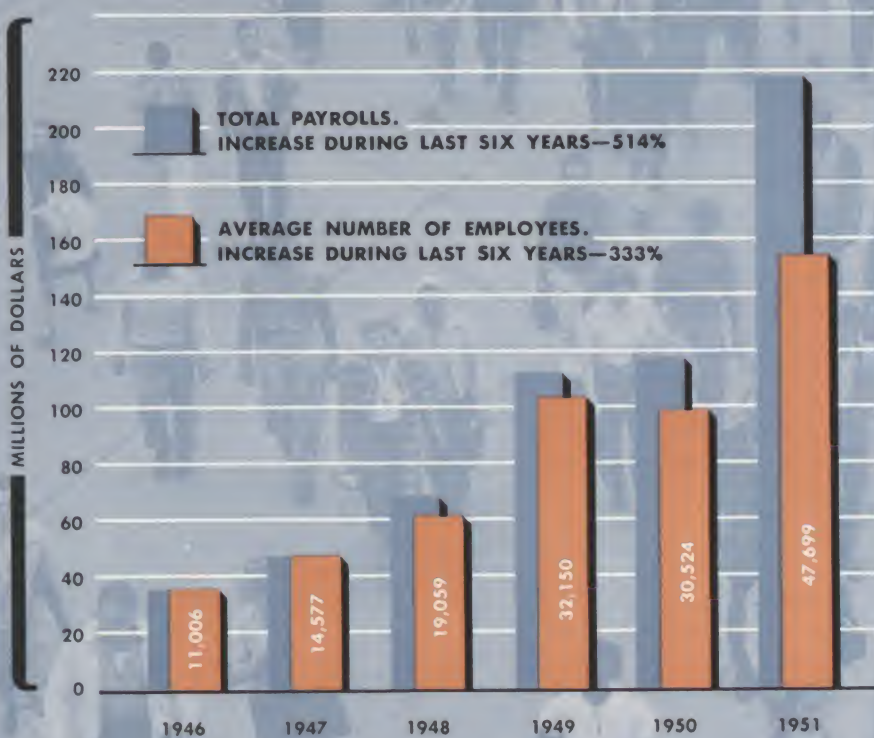
In the Seattle Division, 7½% wage and salary increases were granted to shop, non-supervisory, and lower level management employees, and selective increases were granted to middle level management employees. Wichita employees below the top management group were granted wage and salary increases amounting to approximately 4%. Additional wage increases approximating 5% were offered by the company in negotiations with District Lodge No. 70, International Association of Machinists in Wichita.

An extensive training program has been conducted by both divisions to alleviate the shortage of skilled workers and to qualify employees in new techniques and methods of production. On-the-job training has been useful in training beginners and others of lower skill

to be acceptable general mechanics, parts finishers, mechanical draftsmen, etc. Another phase of part-time training has been the instruction of skilled employees in jig building, optical tooling, and other specialties where labor is in short supply.

The company, in conjunction with the public school systems of the communities, offered to Boeing employees many courses of study, some of a highly technical nature. Voluntary employee participation after working hours reached an all-time record during the year. These courses not only open new fields for employees by enabling them to increase their skills but also assist the company by providing trained personnel.

EMPLOYEES AND PAYROLLS 1946-1951



COMMUNITY RELATIONS



As the largest employer in those cities in which its plants are located, the company endeavors, through participation in civic affairs, to make its proper contribution to the welfare of the respective communities. Employees are encouraged to accept responsibilities and engage actively in civic, service, and professional organizations.

The employees of both divisions have established "Good Neighbor Fund" programs for handling their charitable contributions. Employees voluntarily contribute a percentage of their earnings by payroll deductions. Contributions to recognized agencies, such as the Community Chest and Red Cross, are paid from these funds. Seventy-five per cent of the employees have joined the programs and the total amount available for various charities has greatly exceeded amounts previously subscribed during individual drives. Administration of these programs is entirely in the hands of employee-member boards.

One of the significant contributions of Boeing men and women is known as the "Boeing Lifeline." This plan is becoming a model for industrial participation in the campaign of the Armed Forces to collect blood to save the lives of wounded men in Korea. Approximately half of the employees have pledged themselves to participate and to donate blood when called in rotation during working hours. The success of this plan can be measured by the contribution to the Armed Forces of more than 12,000 pints of blood in a little over one year. In addition to supplying the Armed Forces, a small reserve is set aside for the use of all Boeing employees and their families.

RIGHT—One of the outstanding community functions during the year was employees' "Boeing Lifeline," which gave the military forces 12,000 pints of blood.

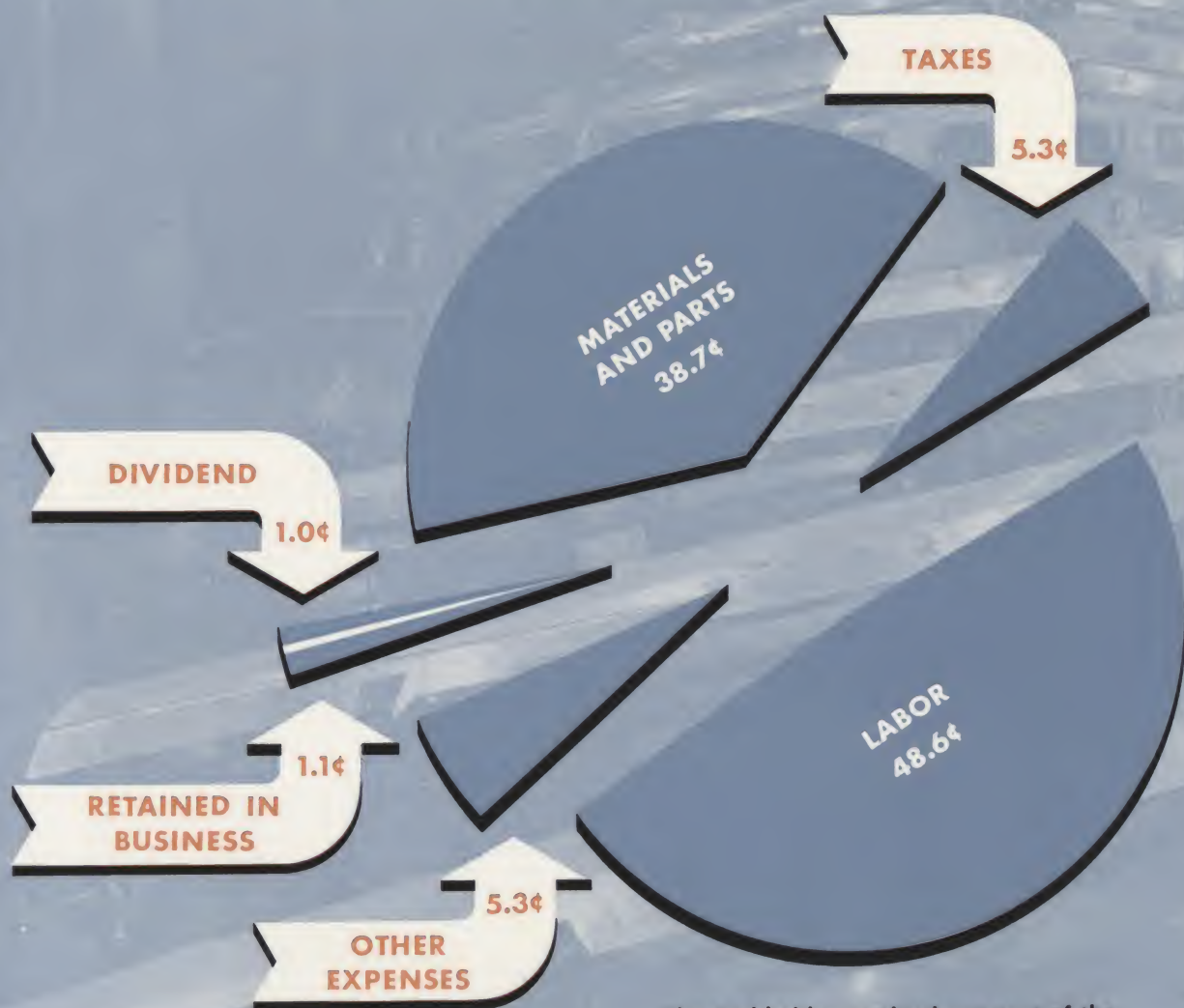
ORGANIZATION

Boeing now has in excess of fifty thousand employees. The great increase in activity since the conversion days following World War II made a review of the company's organization and procedures desirable. Outside consultants were employed and, with the aid of their suggestions, various changes in organization and procedures have been instituted. A continuing study by management is planned in order that the company's organization and procedures may be revised as required to meet the rapidly changing conditions in the business.

A particular effort has been made to bring about a closer integration of the Seattle and Wichita Divisions. W. E. Beall, previously Vice President-Engineering and Sales, has been named Senior Vice President and given general direction of manufacturing, engineering, and related activities at Seattle-Renton, and general supervision of all activities of the Wichita Division. As a result of the substantial effort required in the production of the B-47, many Seattle employees have been transferred to Wichita; some permanently and others temporarily. In some cases Wichita employees have been transferred to Seattle.



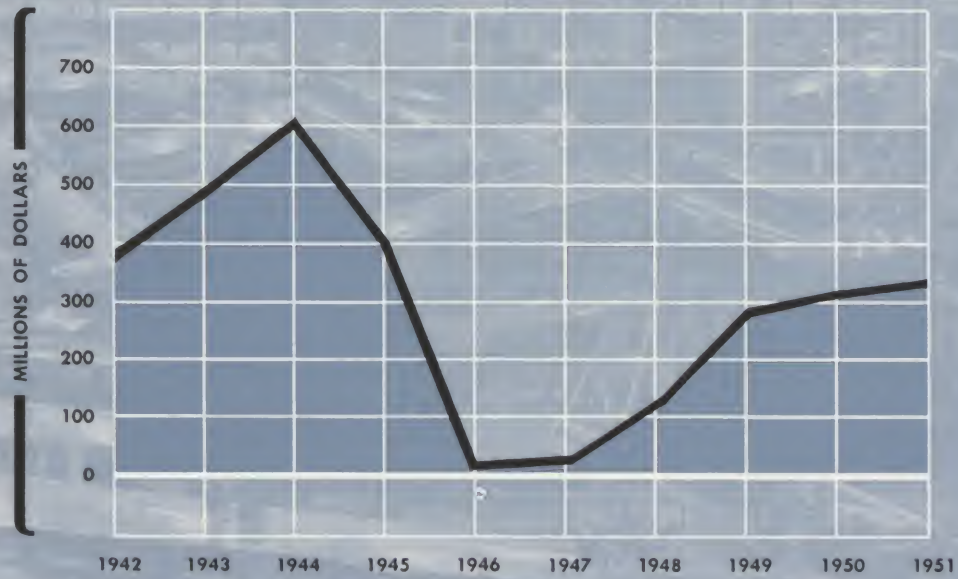
DIVISION OF SALES DOLLAR



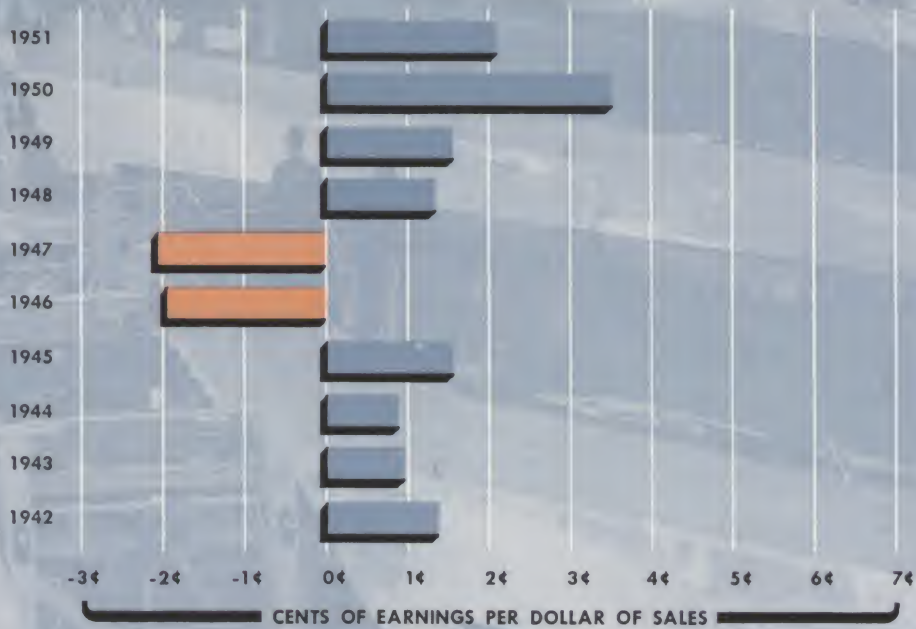
The stockholder received one cent of the sales dollar in the form of dividends and one cent was reinvested in the business.

Two and one-half times as much of the sales dollar went for federal, state and city taxes as remained for net earnings.

NET SALES



NET EARNINGS PER DOLLAR OF SALES



Result of 1951 Operations

Net earnings for 1951 amounted to \$7,140,751, equivalent to \$6.60 per share. This compares with net earnings of \$10,826,558 for the previous year, equivalent to \$10.00 per share. Sales totaled \$337,300,566, an increase of \$30,049,584.

The reduction in net earnings is principally the result of a lower rate of profit on government business and higher excess profits and income tax rates. The transition of the company's largest program from cost-plus-a-fixed-fee to a fixed price basis contributed to this downward trend. Under the former type of contract profit is reported as work is performed, while profit under a fixed price contract is not reported until the article contracted for is delivered. The effect of this change can be judged by comparing the 1950 balance sheet item of \$22,245,000, for accumulated charges against fixed price contracts upon which no profit had been reported, with the 1951 balance sheet which includes \$231,342,000 for this same item. The impact of higher federal tax rates on income can be appreciated by comparing the reduction of \$3,685,807 in net earnings with the decrease of only \$700,000 in taxes.

Dividends of \$3.00 per share were paid during the year. The balance of earnings, equivalent to \$3.60 per share, was reinvested in the business and increased the book value of the stock from \$49.79 to \$53.39 per share.

Unfilled Orders

Unfilled orders at December 31, 1951, totaled approximately \$1,355,000,000, substantially all of which represented military business. The company also had letter contracts authorizing certain work on which prices had not been negotiated. Although such authorizations are expected to result in substantial additional business, only the sum which the company is authorized to spend has been included in the amount of unfilled orders.

Approximately 4.75% of the unfilled orders are covered by cost-plus-a-fixed-fee contracts. All of the major fixed price contracts contain price redetermination provisions.

Renegotiation

Substantially all of the business for the year 1951 is subject to renegotiation. It is the company's opinion that no refund should be required with respect to business performed during the year, and no provision has been made for any such payment. Statements have been filed for the years 1948, 1949 and 1950 but the company has not been advised of the attitude of the Renegotiation Board with respect thereto. The company is of the opinion that no refund should be required for those years, however consideration was given to a possible renegotiation refund in the establishment of an over-all allowance for contract adjustments in 1950.

Bank Loans

A \$50,000,000 open line of credit with fourteen commercial banks was negotiated during the year to supplement the company's working capital. At year end bank loans amounted to \$31,190,000. It is anticipated that borrowings will be kept well within the available line of credit and that repayments will commence as deliveries are accelerated.

Incentive Compensation

An amount of \$1,100,000 has been set aside by the Board of Directors for distribution in 1952 in accordance with the terms of the Incentive Compensation Plan.

As stated in last year's report the government, recognizing that the Plan is designed to improve efficiency and hence reduce the cost of its products, permits the inclusion of a substantial portion of the award as a contract charge. The entire award is recognized as a deduction in determining the income taxes payable by the company. Last year awards were made to 2023 persons.

BALANCE SHEET**BOEING AIRPLANE****ASSETS****CURRENT ASSETS:**

Cash		\$ 21,900,894
Accounts receivable—		
United States	\$ 30,492,207	
Other	3,465,214	33,957,421
Estimated amounts receivable from the United States—		
For expenditures under cost-plus-a-fixed-fee and facilities contracts and applicable accrued fees	\$ 52,021,402	
For deliveries under contracts for which unit prices have not been established or revised	7,670,337	59,691,739
Accumulated charges on contracts with the United States, substantially all of which are subject to price redetermination, less estimated cost of deliveries	\$231,342,102	
Less progress payments	204,240,677	27,101,425
Inventories of materials and purchased and manufactured parts at the lower of average cost or market, less allowance for obsolescence of \$445,000		6,315,204
Prepaid expenses		746,595
TOTAL CURRENT ASSETS		\$149,713,278

OTHER ASSETS:

Deposits with mutual insurance companies and balance of investment in Canadian subsidiary in liquidation (\$10,301)	389,839
---	---------

PROPERTY, PLANT, AND EQUIPMENT:

Land (\$263,734) and buildings, at cost	\$ 13,494,629	
Machinery, tools, and equipment, at cost	14,572,469	
	\$ 28,067,098	
Less allowance for accumulated depreciation and amortization	16,541,382	11,525,716
		<u>\$161,628,833</u>

LIABILITIES AND STOCKHOLDERS' INVESTMENT

CURRENT LIABILITIES:

Notes payable to banks	\$ 31,190,000
Accounts payable	30,940,342
Salaries and wages	14,352,028
Taxes other than taxes on income	2,979,482
Amounts payable to the United States arising from price revisions under price redetermination contracts	8,372,017
Allowance for contract adjustments including renegoti- ation, net of taxes	1,200,000
Incentive compensation for officers and employees	1,100,000
Federal and state taxes on income	<u>13,700,907</u>
TOTAL CURRENT LIABILITIES	<u>\$103,834,776</u>

STOCKHOLDERS' INVESTMENT:

Capital stock, par value \$5 a share—	
Authorized—1,250,000 shares	
Issued and outstanding—1,082,454 shares	\$ 5,412,270
Additional paid-in capital (unchanged during the year)	8,142,064
Earnings retained for use in the business	<u>44,239,723</u>
	57,794,057

\$161,628,833

STATEMENT OF NET EARNINGS

BOEING AIRPLANE COMPANY

Year Ended December 31, 1951

Sales.....		\$337,300,566
Other income.....		<u>656,460</u>
		\$337,957,026
Cost of sales, excluding applicable portion of certain items set forth below.....	\$308,733,782	
General and administrative expenses.....	4,758,854	
Research expenses.....	1,439,207	
Depreciation and amortization of plant and equip- ment.....	1,197,863	
Incentive compensation for officers and employees	1,100,000	
Advertising and service expenses.....	453,230	
Interest expense.....	433,339	
Federal and state taxes on income (including \$2,540,000 for excess profits taxes).....	12,700,000	<u>330,816,275</u>
NET EARNINGS.....		<u><u>\$ 7,140,751</u></u>

EARNINGS RETAINED FOR USE IN THE BUSINESS

BOEING AIRPLANE COMPANY

Year Ended December 31, 1951

Balance at January 1, 1951.....	\$40,346,046
Net earnings for the year.....	<u>7,140,751</u>
	\$47,486,797
Cash dividends paid, \$3 a share.....	<u>3,247,074</u>
Balance at December 31, 1951.....	<u><u>\$44,239,723</u></u>

TOUCHE, NIVEN, BAILEY & SMART

CERTIFIED PUBLIC ACCOUNTANTS

1411 FOURTH AVENUE
SEATTLE 1, WASH.

March 14, 1952

Board of Directors,
Boeing Airplane Company,
Seattle, Washington.

We have examined the balance sheet of Boeing Airplane Company as of December 31, 1951, and the related statements of net earnings and earnings retained for use in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were unable to obtain satisfactory confirmations of receivables from the United States by direct communication, but we satisfied ourselves as to such accounts by other auditing procedures.

In our opinion, the accompanying balance sheet and statements of net earnings and earnings retained for use in the business present fairly the financial position of Boeing Airplane Company at December 31, 1951, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

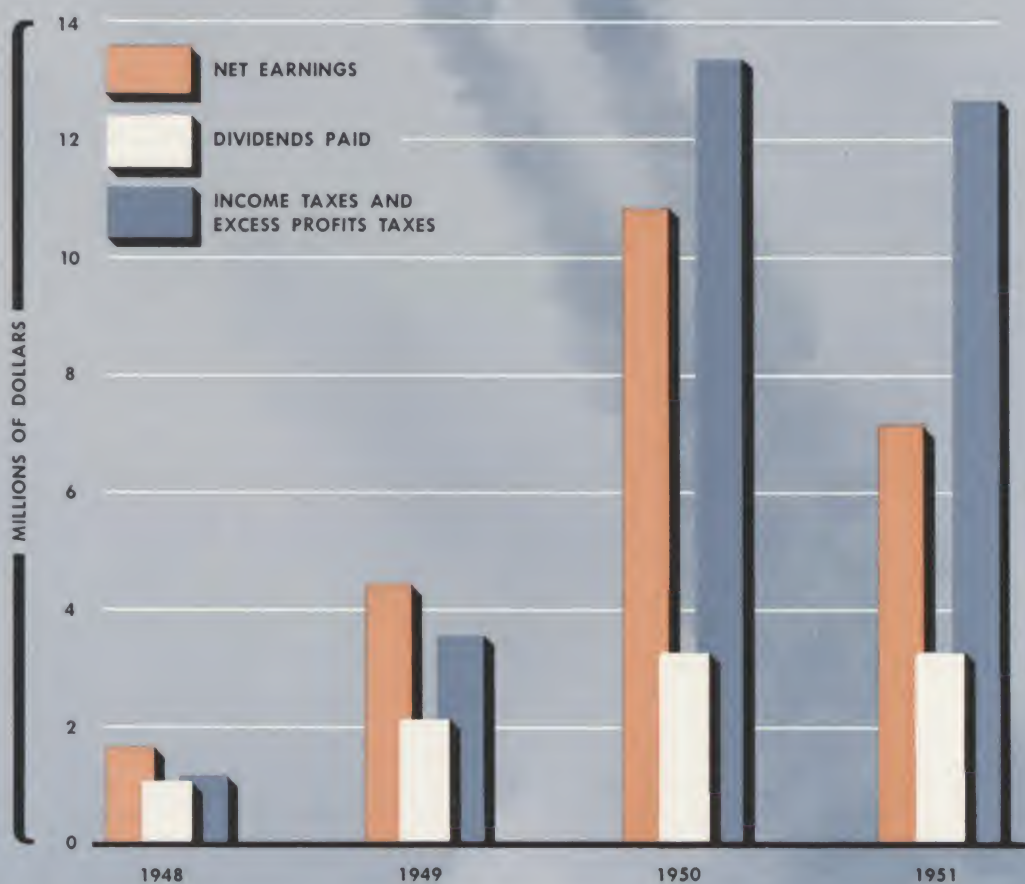
Also, in our opinion, the action of the Board of Directors on March 14, 1952, in setting aside from the earnings of the year 1951 a sum of \$1,100,000 under the Incentive Compensation Plan for Officers and Employees, is in conformity with the provisions contained in the first paragraph of Section 2 of such plan.

Touche, Niven, Bailey & Smart
Certified Public Accountants

**CONDENSED COMPARATIVE STATEMENTS
OF FINANCIAL POSITION**
December 31, 1951 and December 31, 1950

	December 31	
	1951	1950
CURRENT ASSETS:		
Cash and United States Treasury securities.....	\$ 21,900,894	\$ 25,962,122
Accounts receivable, and estimated amounts receivable from the United States.....	93,649,160	74,107,613
Accumulated charges on contracts, and inven- tories.....	33,416,629	15,625,026
Prepaid expenses.....	746,595	409,364
TOTAL CURRENT ASSETS.....	\$149,713,278	\$116,104,125
CURRENT LIABILITIES:		
Notes payable to banks.....	\$ 31,190,000	\$ —
Accounts payable and accrued expenses.....	49,371,852	30,164,192
Amounts payable arising from contract price revisions.....	8,372,017	23,565,005
Allowance for contract adjustments, net of taxes	1,200,000	1,200,000
Federal and state taxes on income.....	13,700,907	15,201,014
TOTAL CURRENT LIABILITIES....	\$103,834,776	\$ 70,130,211
WORKING CAPITAL.....	\$ 45,878,502	\$ 45,973,914
OTHER ASSETS.....	389,839	285,317
PROPERTY, PLANT, AND EQUIPMENT, net	11,525,716	7,641,149
NET ASSETS.....	\$ 57,794,057	\$ 53,900,380
REPRESENTED BY STOCKHOLDERS' INVESTMENT IN:		
Capital stock.....	\$ 5,412,270	\$ 5,412,270
Additional paid-in capital.....	8,142,064	8,142,064
Earnings retained for use in the business....	44,239,723	40,346,046
	\$ 57,794,057	\$ 53,900,380
Stockholders' equity per share.....	\$53.39	\$49.79
Ratio of current assets to current liabilities.....	1.44 to 1	1.66 to 1

COMPARISON OF INCOME AND EXCESS PROFITS TAXES TO NET EARNINGS AND DIVIDENDS PAID



BOARD OF DIRECTORS

WILLIAM M. ALLEN
President

WELLWOOD E. BEALL
Senior Vice President

DARRAH CORBET
President, Smith Cannery
Machines Company
Seattle, Washington

C. L. EGTVEDT
Chairman

D. A. FORWARD
Senior Vice President
The National City Bank
of New York

ARTEMUS L. GATES
Consultant
New York City

FRED P. LAUDAN
Vice President—
Manufacturing

WILLIAM G. REED
Chairman,
Simpson Logging Company
Seattle, Washington

J. E. SCHAEFFER
Vice President—
General Manager,
Wichita Division

DIETRICH SCHMITZ
President, Washington
Mutual Savings Bank
Seattle, Washington

EDWARD C. WELLS
Vice President—
Engineering

J. P. WEYERHAEUSER, JR.
President, Weyerhaeuser
Timber Company
Tacoma, Washington

J. O. YEASTING
Vice President—
Controller

OFFICERS

WILLIAM M. ALLEN	President
C. L. EGTVEDT	Chairman
WELLWOOD E. BEALL	Senior Vice President
EDWARD C. WELLS	Vice President—Engineering
FRED P. LAUDAN	Vice President—Manufacturing
J. E. SCHAEFFER	Vice President—General Manager, Wichita Division
J. O. YEASTING	Vice President—Controller
A. F. LOGAN	Vice President—Industrial Relations
C. B. GRACEY	Vice President—Manufacturing, Wichita Division
CLIF BARRON	Vice President—Divisional Controller, Wichita Division
F. B. COLLINS	Vice President—Sales
J. P. MURRAY	Vice President—Eastern Representative
HAROLD E. BOWMAN	Secretary and Treasurer

General Counsel

HOLMAN, MICKELWAIT, MARION, PRINCE & BLACK

General Auditors

TOUCHE, NIVEN, BAILEY & SMART

Transfer Agent

CITY BANK FARMERS TRUST COMPANY, NEW YORK CITY

Registrar

THE NATIONAL CITY BANK OF NEW YORK, NEW YORK CITY

